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Competing for Western Markets?: The Case of ASEAN

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Objectives of Presentation

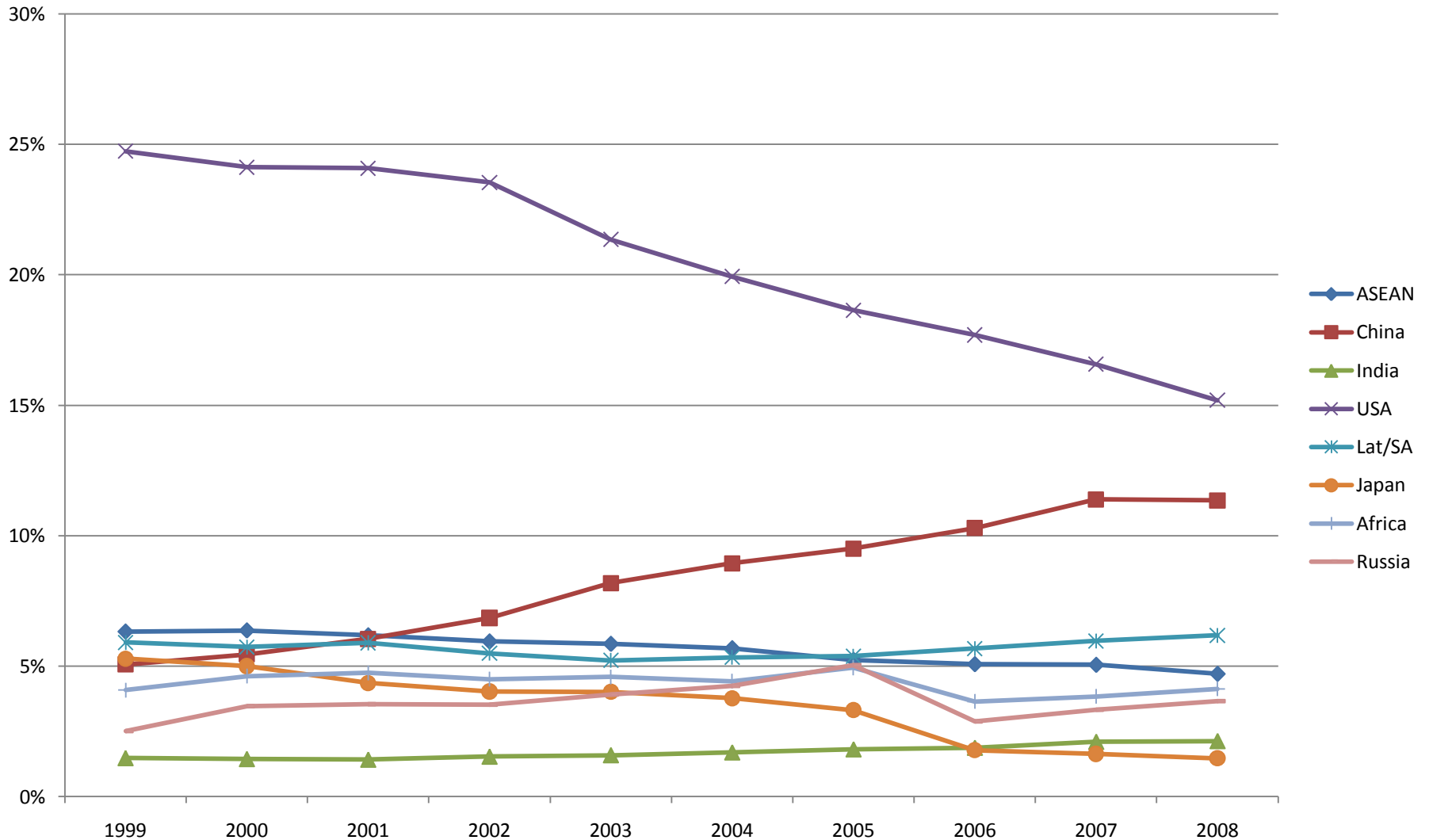


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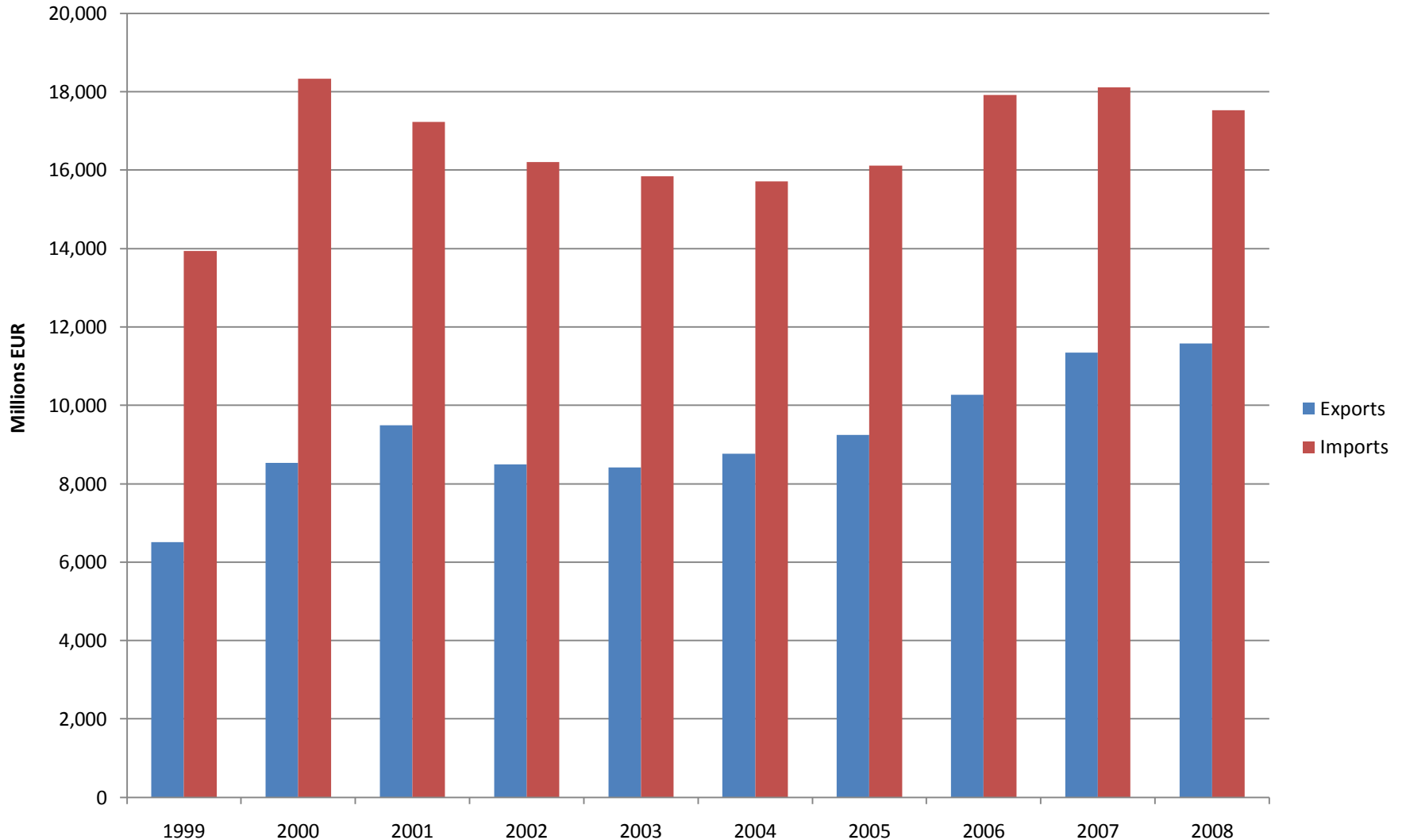
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1. An Attempt to understand the evolution of Trade and Investment flows in ASEAN countries
2. Question: Has China's emergence as an economic superpower been a compliment or a threat for ASEAN
3. Offer a qualitative approach to compliment previous research

Trends in EU Trade (X+I)



EU trade flows with Malaysia



'Chinese Trade Theory': The Debate



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- China likely has the absolute advantage in the production of many products. Despite this, China's comparative advantage in low cost labour must, by definition, come at an opportunity cost in other areas.

- China may increase the size of the 'economic pie', but...
 - Are there switching costs from changing export destinations?
 - How Flexible are export markets?
 - Will China, with its single legal and political system attract more FDI

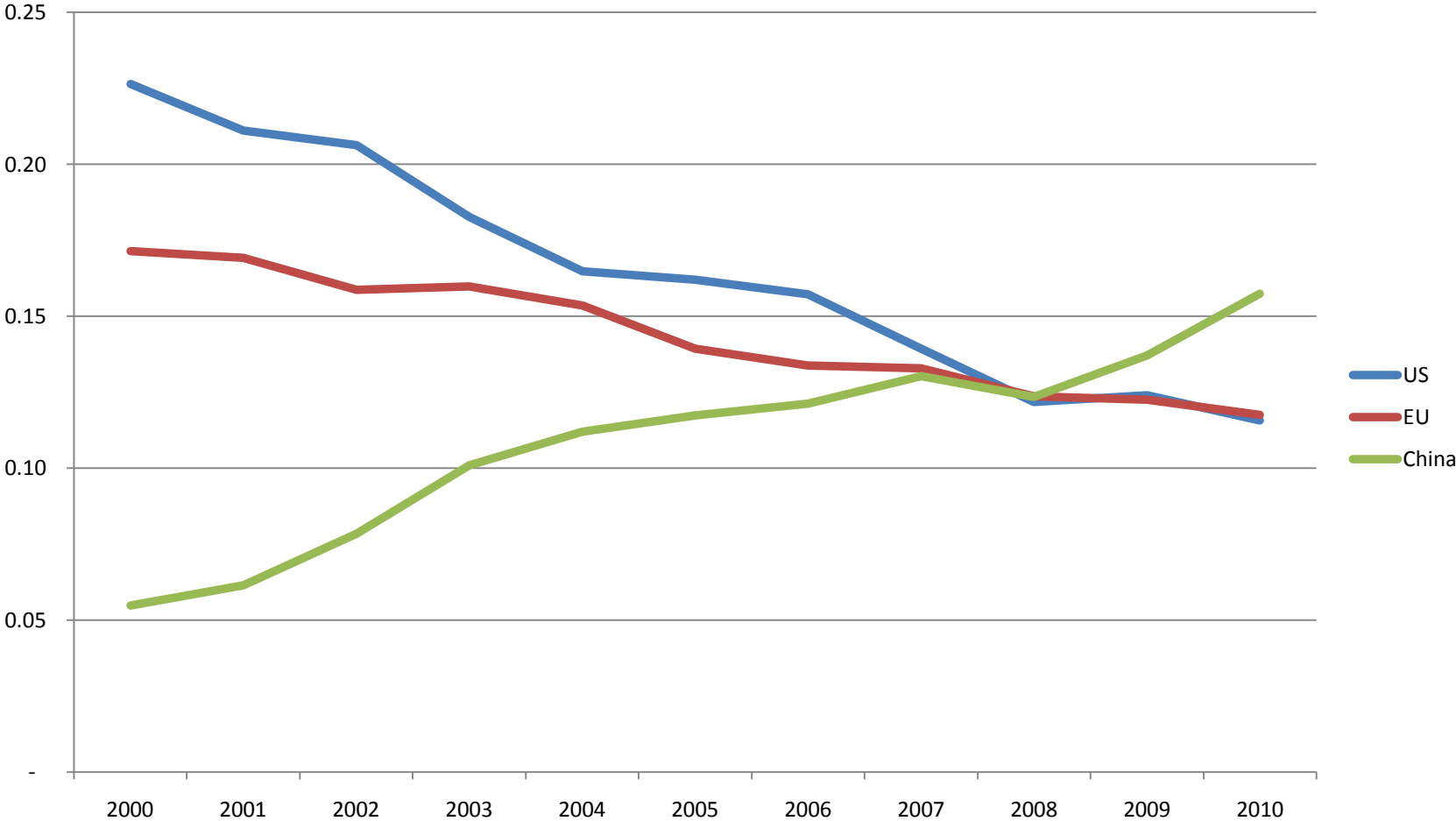
- ASEAN Official When talking about the ASEAN-China FTA: "If we cannot defeat you, we will join you".



Three Competing Theories

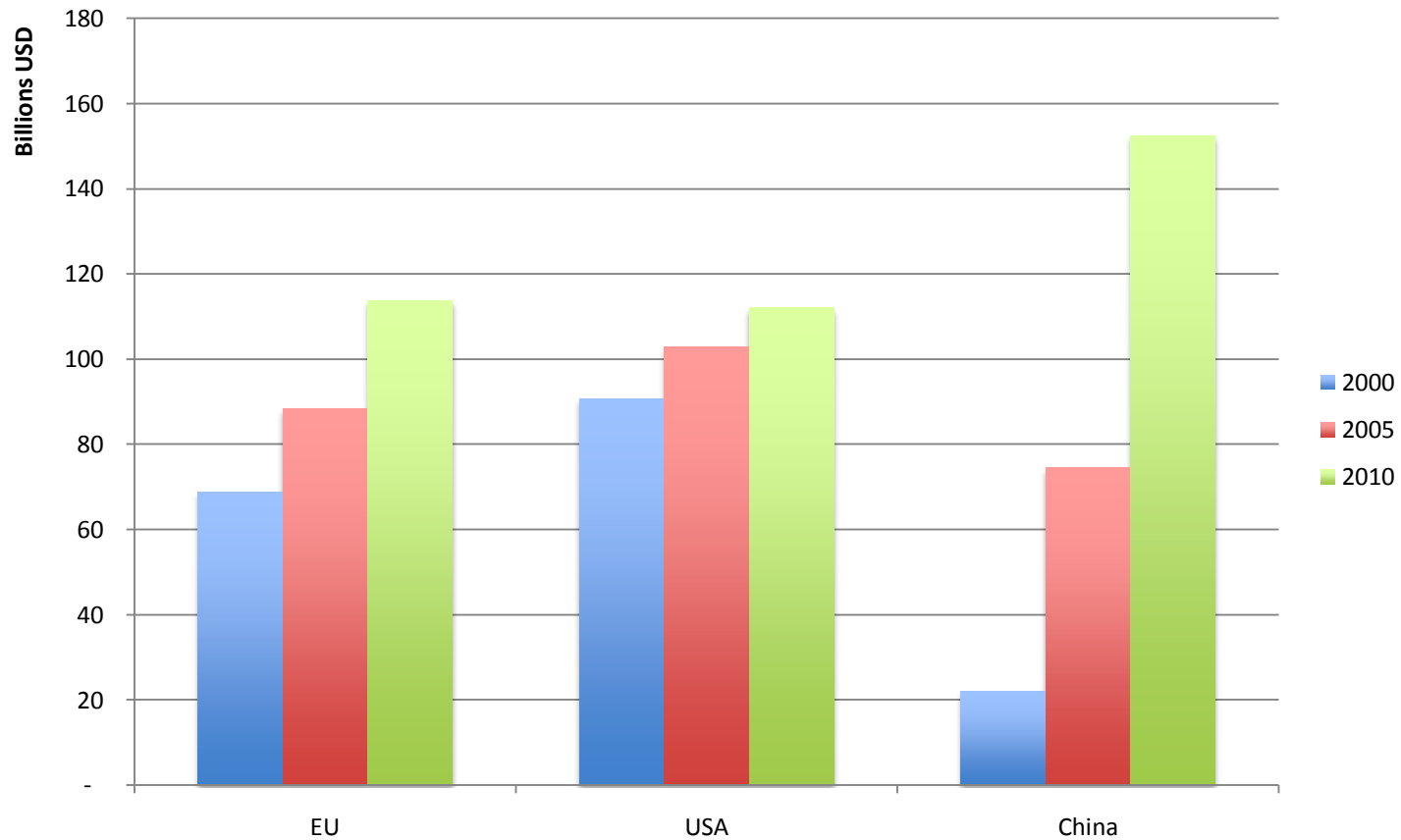
- China's comparative advantage in low cost labour and manufacturing will crowd out ASEAN in Western markets (Lall and Albaladejo 2001)
- China's growth will multiply throughout the ASEAN region (Ahearne et al. 2001; Abeysinghe and Lu in 2003)
- China is re-organising ASEAN into a Core and Periphery. Capital exporters will benefit while consumer goods exporters will suffer (Eichengreen 2005)

Share of ASEAN total exports sent to US, EU and China between 2000 and 2010



Source: UN Comtrade, 2012

Total ASEAN exports to Top Destinations



US and EU Imports from the World



USA Imports *USD billions*

Country	2000	% total	Country	2010	% total
World	1,258	100%	World	1,966	100%
Canada	232	18%	China	382	19%
EU	219	17%	EU	321	16%
Japan	150	12%	Canada	279	14%
Mexico	137	11%	Mexico	231	12%
China	108	9%	Japan	123	6%
ASEAN	90	7%	ASEAN	112	6%

EU Imports *USD billions*

Country	2000	% total	Country	2010	% total
World	913	100%	World	1,975	100%
USA	189	21%	China	373	19%
Japan	84	9%	USA	224	11%
China	68	8%	Russia	205	10%
ASEAN	68	8%	ASEAN	113	6%
Russia	58	6%	Switzerland	112	6%
Switzerland	58	6%	Norway	104	5%

Impact of China's Rise



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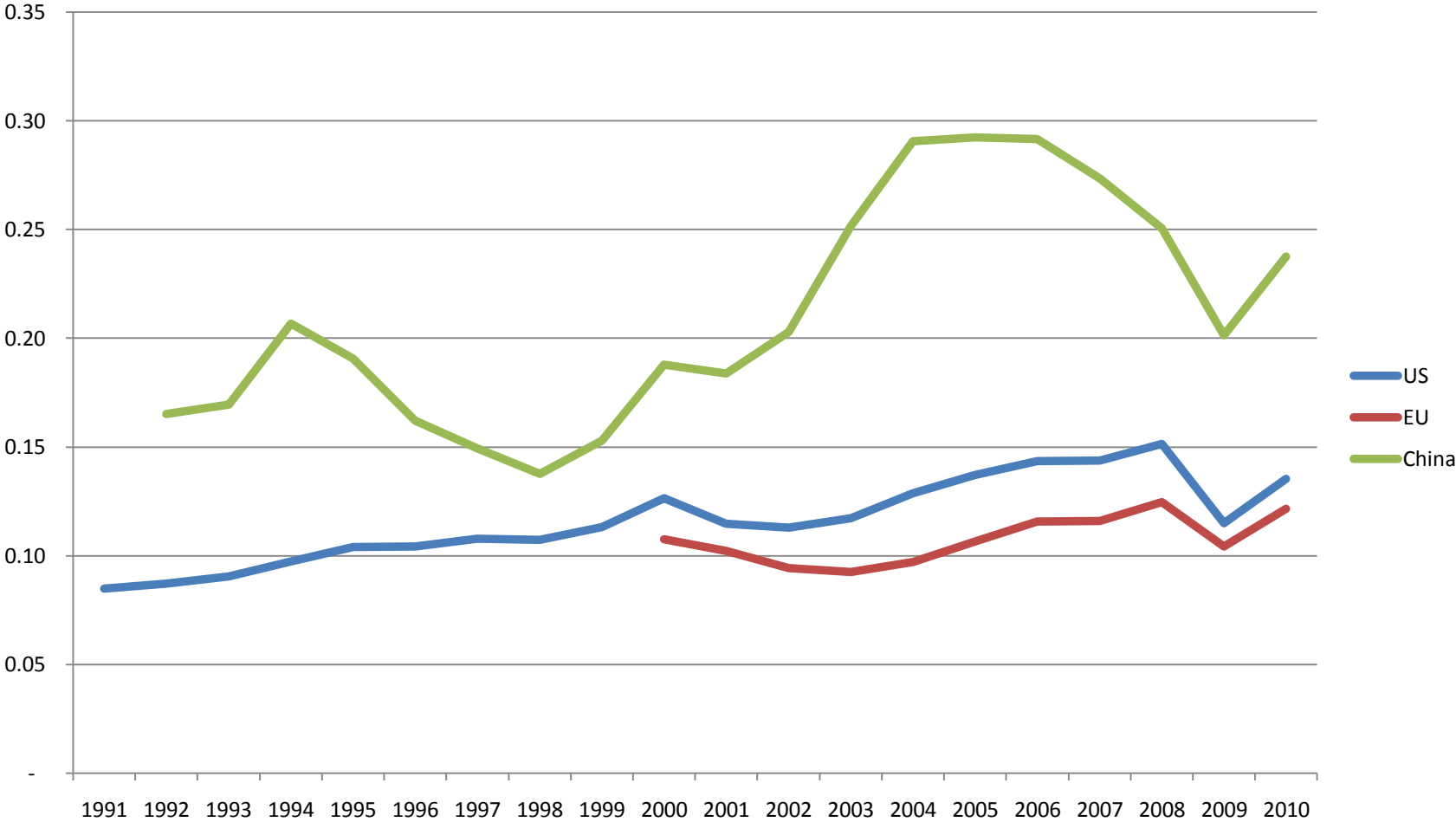
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1. The Importance of Western Markets for China have remained strong
2. The Importance of Western Markets for ASEAN have decreased
3. The Importance of China for ASEAN has increased

<i>ASEAN Exports</i>	<i>2000</i>	<i>2010</i>
To the EU	17%	12%
To the USA	23%	12%
To China	5%	16%

<i>Chinese Exports</i>	<i>2000</i>	<i>2010</i>
To the EU	21%	18%
To the USA	27%	24%

Trade Openness Indicator: Imports/GDP



ASEAN Growth and Competitiveness



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Average Annual increase in total ASEAN exports

<i>Country</i>	<i>1991-2000</i>	<i>2001-2010</i>
Cambodia	n/a	14%
Indonesia	10%	11%
Malaysia	15%	9%
Philippines	n/a	6%
Singapore	10%	9%
Thailand	13%	11%
Vietnam	n/a	19%

Source: IMF, WEO 2012

Average Real GDP growth

<i>Country</i>	<i>1991-2000</i>	<i>2001-2010</i>
Cambodia	7.00	7.86
Indonesia	4.15	5.22
Malaysia	7.22	4.65
Philippines	2.89	4.78
Singapore	7.23	5.69
Thailand	4.59	4.37
Vietnam	7.58	7.27

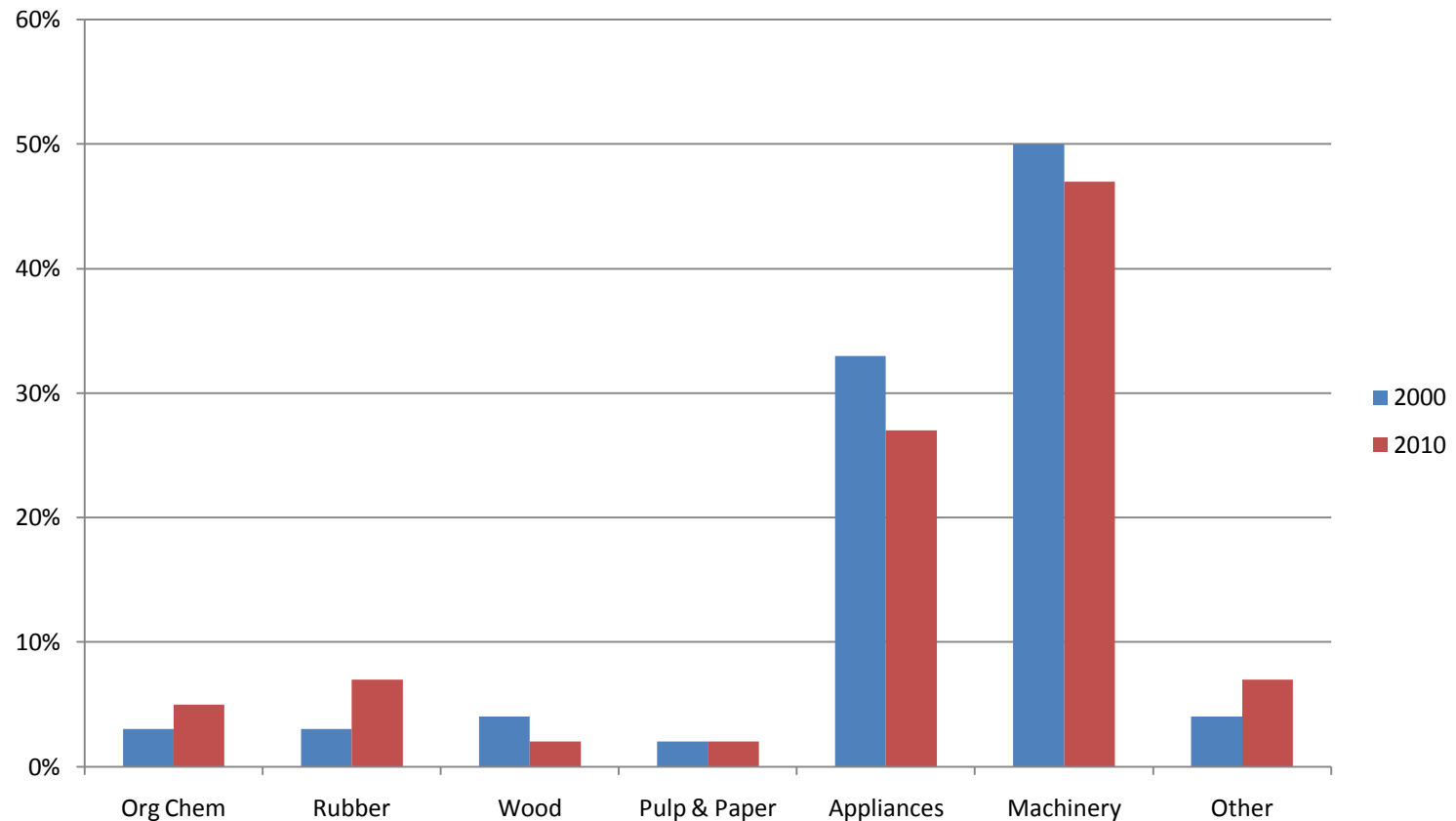
Source: IMF, WEO 2012

Composition of ASEAN Exports to the World



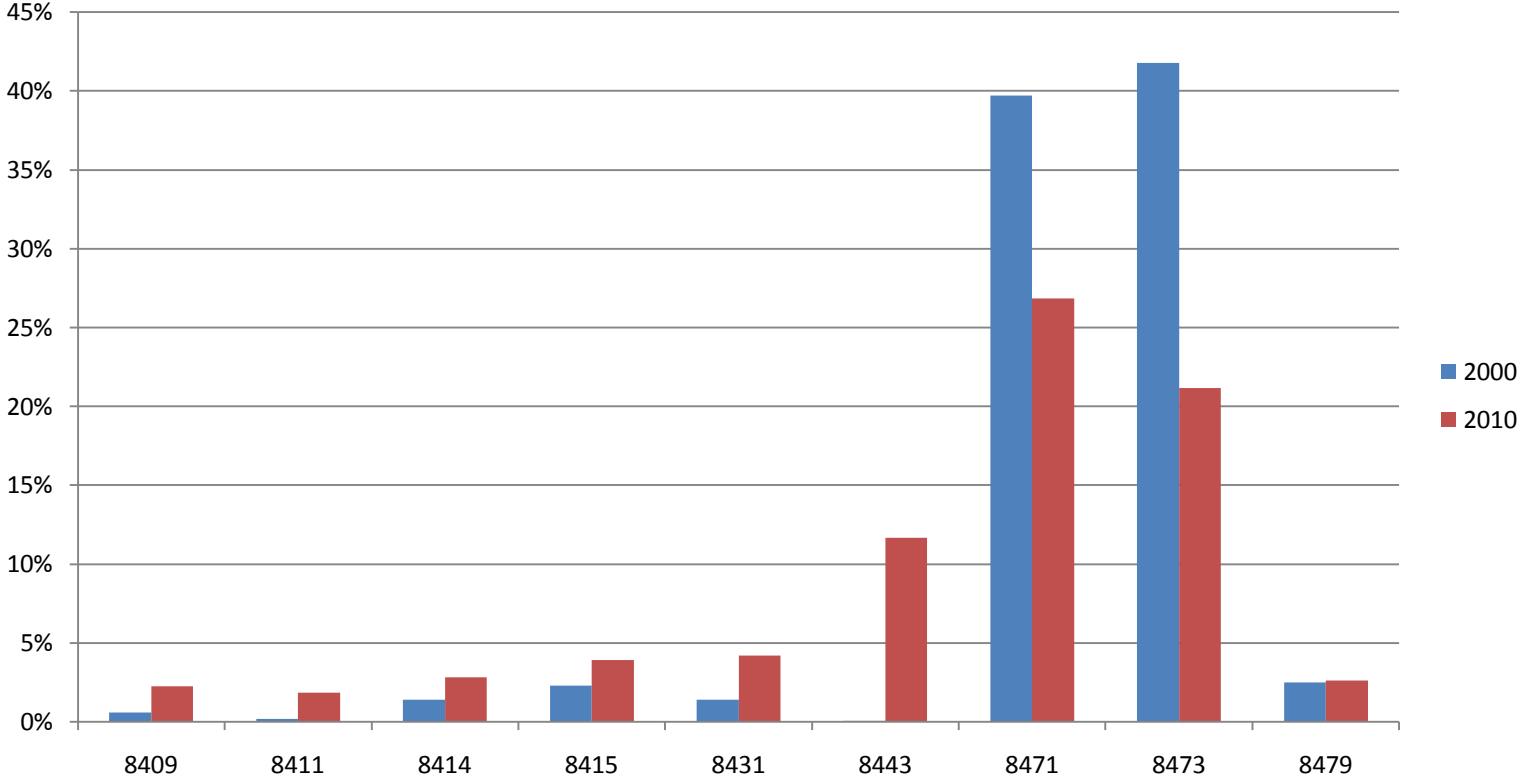
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Source: UN Comtrade, 2012

ASEAN Appliances (HS84) Exports to the World



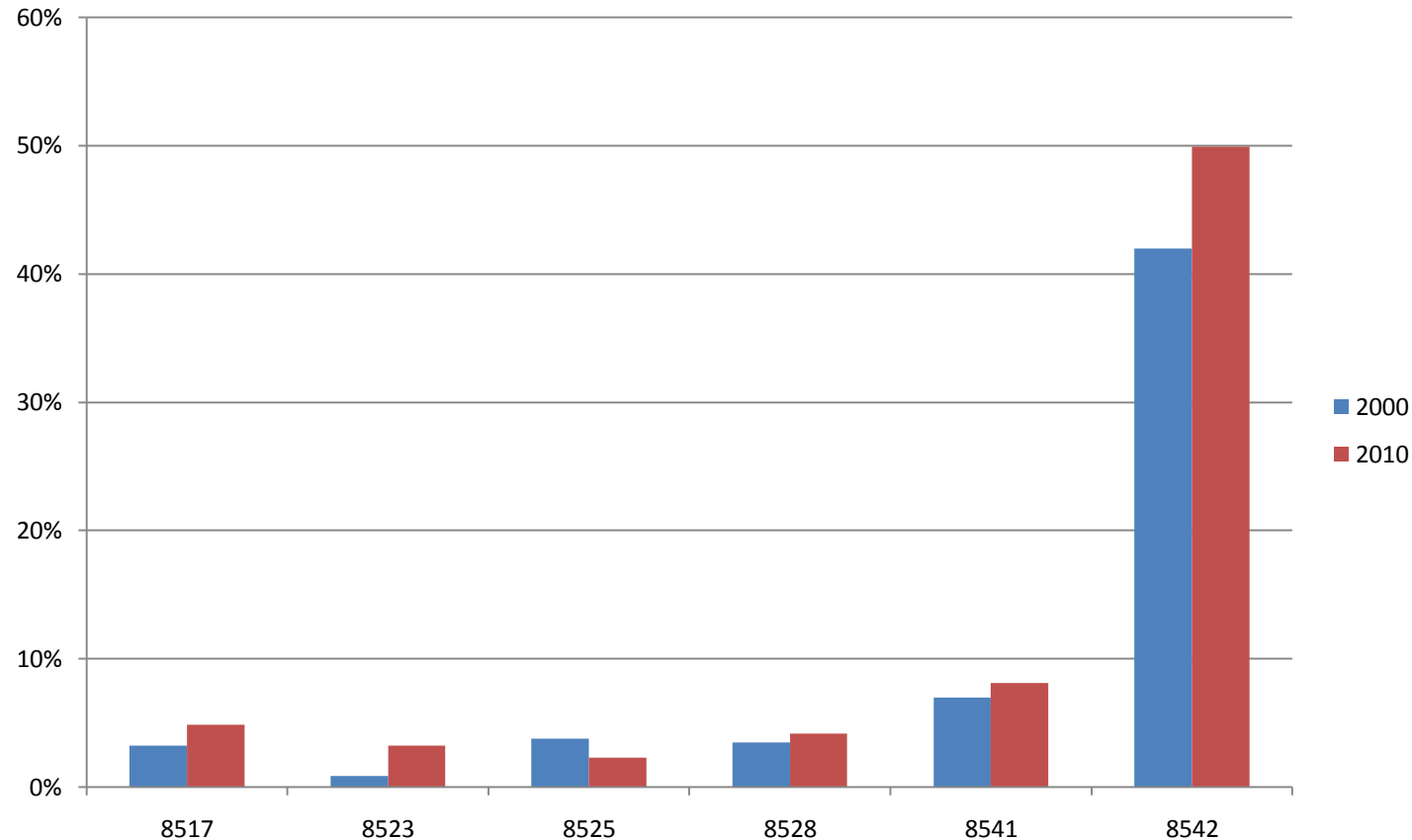
Source: UN Comtrade, 2012

ASEAN Machinery (HS85) Exports to the World



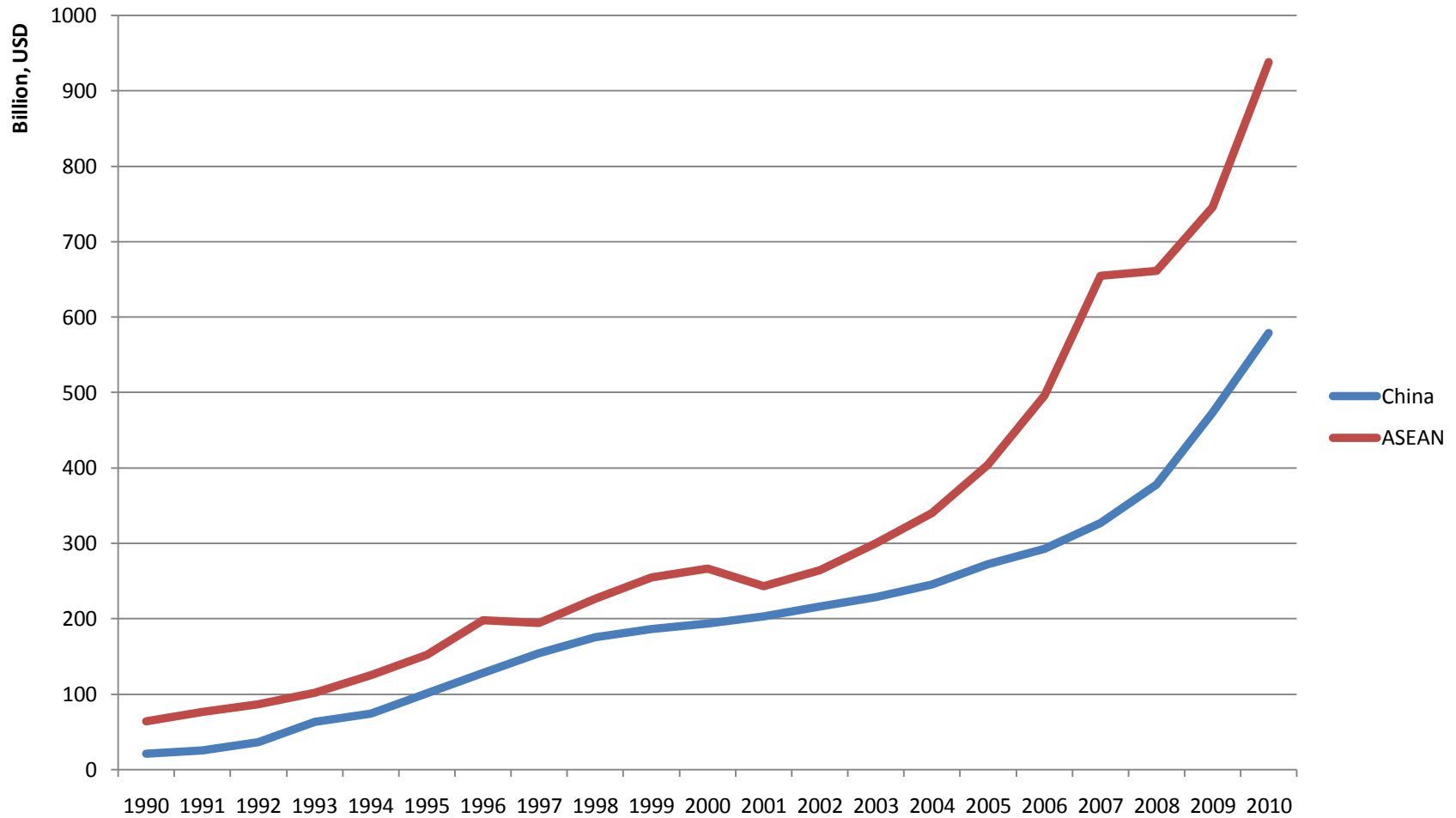
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Source: UN Comtrade, 2012

FDI Stocks in China/ASEAN, 1990-2010



FDI Stocks in ASEAN



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Country Share of ASEAN FDI and Total FDI increases

<i>Country</i>	<i>1990</i>	<i>2000</i>	<i>2010</i>	<i>Total times FDI Increase 1991-2000</i>	<i>Total times FDI Increase 2001-2010</i>
Cambodia	0%	1%	1%	41.9	3.4
Indonesia	n/a	3%	13%	n/a	11.8
Malaysia	19%	22%	11%	4.2	3.0
Philippines	8%	8%	3%	3.6	2.4
Singapore	55%	46%	50%	3.1	4.0
Thailand	15%	12%	14%	2.9	3.8
Vietnam	3%	9%	7%	10.2	2.9

UNCTAD Database, 2012

Conclusion



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- China appears to be crowding ASEAN out of Western markets from both a relative and absolute perspective
- Despite losing the West, the export competitiveness of ASEAN has not diminished
- Despite losing the West, ASEAN real GDP growth rates have not decreased; no evidence of a 'core-periphery' forming within ASEAN
- The composition of ASEAN exports to the world has changed only minimally, despite changes in export destinations
- Despite lower overall GDP growth rates, ASEAN is a more attractive destination for FDI than China; and much of the FDI into ASEAN since 2000 has come from China



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Thank you